

HANCOCK COUNTY

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2020

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HANCOCK COUNTY
Garner, Iowa

OFFICIALS

Gary Rayhons	Board of Supervisors	Jan 2023
Florence Thomas-Greiman	Board of Supervisors	Jan 2023
Jerry Tlach	Board of Supervisors	Jan 2021
Michelle Eisenman	County Auditor	Jan 2021
Deborah Engstler	County Treasurer	Jan 2023
Tracy Marshall	County Recorder	Jan 2023
Scott Dodd	County Sheriff	Jan 2021
Blake Norman	County Attorney	Jan 2023
Marianne Welsch	County Assessor	Appointed



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report

To the Board of Supervisors
Hancock County
Garner, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Shares of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 6 through 11 and 45 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2021 on our consideration of Hancock County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hancock County's internal control over financial reporting and compliance.

January 12, 2021


Renner & Birchem, P.C.
Britt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hancock County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the county's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Hancock County governmental funds revenue increased 7.5%, or approximately \$1,141,000 from 2019; operating grants, contributions and restricted interest increased approximately \$228,000 charges for services increased approximately \$140,000 and capital grants, contributions, and restricted interest increased approximately \$239,000.
- Program expenses of the County's governmental activities were 9.7%, or approximately \$1,415,000 more in fiscal 2020 than in fiscal year 2019. Non-program (primarily drainage districts), and roads and transportation increased approximately \$1,425,000 and \$951,000 respectively.
- The County's net position increased 1.99%, or approximately \$427,000, over the June 30, 2019 balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Hancock County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hancock County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Hancock County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary fund accounts for the County's employee group health insurance, dental and vision insurance and internal service fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services and the County Assessor to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The County's combined net position increased from approximately \$21.4 million to \$21.8. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
		June 30	
		2020	2019
Current and other assets	\$	17,172	15,963
Capital assets		14,714	15,029
Total assets		31,886	30,992
Deferred outflows of resources		940	1,192
Long term liabilities		3,149	3,109
Other liabilities		901	784
Total liabilities		4,050	3,893
Deferred inflows of resources		6,889	6,830
Net Position:			
Net invested in capital assets		14,719	15,029
Restricted		7,115	6,315
Unrestricted		54	117
Total net position	\$	21,888	21,461

Net position of the County's governmental activities increased by 1.99%. The largest portion of the County's net position is the Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decrease from \$116,700 at June 30, 2019 to approximately \$54,000 at June 30, 2020.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 983	843
Operating grants, contributions and restricted interest	4,431	4,203
Capital grants, contributions and restricted interest	364	125
General revenues:		
Property tax	5,748	5,607
Penalty and interest on property tax	15	33
State tax credits	386	397
Local option sales tax	705	609
Grants and contributions not restricted to specific purposes	24	26
Unrestricted investment earnings	298	359
Other general revenues	3,436	3,047
Total revenues:	16,390	15,249
Program expenses:		
Public safety and legal services	1,856	1,886
Physical health and social service	364	366
Mental health	379	475
County environment and education	743	662
Roads and transportation	6,918	5,967
Governmental services to residents	565	537
Administration	1,764	2,706
Non-program	3,374	1,949
Total expenses:	15,963	14,548
Change in net position	427	701
Net position beginning of year	21,461	20,760
Net position end of year	\$ 21,888	21,461

The results of governmental activities for the year resulted in Hancock County's net position increasing by approximately \$427,000. Revenues for governmental activities increased by approximately \$1,141,000 over the prior year.

The cost of all governmental activities this year was \$15.9 million compared to \$14.5 million last year. However, as shown in the Statement of Activities on page 14, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$10.2 million because some of the cost was paid by those directly benefited from the programs (\$982,981) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,795,624). Overall, the County's governmental program

revenues, including intergovernmental aid and charges for service, increased in fiscal year 2020 from approximately \$5,170,746 to approximately \$5,778,605.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$10.2 million, which is \$ 1.1 million more than last year's total of \$ 9.1 million. The following are reasons for changes in fund balances of the major funds from the prior year:

- The ending General Fund balance showed a increase from the prior year of \$112,570 to \$2,415,099. General Fund revenues and expenditures remained consistent to the prior year.
- The Rural Services Fund increased by \$371,450 from the prior year and reflects a balance \$2,391,982.
- Secondary Roads Fund expenditures decreased by approximately \$117,131 over the prior year. The County continues to aggressively upgrade and maintain the condition of the County roadway system. The Secondary Road Fund balance at year end increased by approximately \$344,886 over the prior year.
- The Drainage District Fund Balance increased by \$143,104 over the prior year and reflects a balance of \$826,392. Extensive drainage projects are ongoing.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment resulted in an increase in budgeted disbursements of \$13,800.

The amendments made during the 2020 fiscal year should not have any impact on the 2021 fiscal year's budget.

CAPITAL ASSETS

At June 30, 2020 Hancock County had approximately \$14.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions and depreciation) of approximately \$309,000 or 2.06% from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)			
		2020	2019
Land	\$	357	357
Buildings and improvements		3,485	3,569
Machinery and equipment		2,682	2,743
Infrastructure		8,195	8,360
Totals	\$	14,719	15,029

The County had depreciation expense of \$897,061 for the year ended June 30, 2020 and total accumulation depreciation as of June 30, 2020 of \$29,151,993. The County's fiscal year 2020 capital budget included \$ 109,873 for capital projects, principally for the continued upgrading of secondary roads, equipment and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2020, Hancock County had approximately \$994,000 debt outstanding, compared to \$859,000 at June 30, 2019, as shown below:

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)			
		2020	2019
Drainage Warrants and Improvement Certificates	\$	989	859
Totals	\$	989	859

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Hancock County's elected and appointed officials and citizens considered many factors when setting the 2021 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI).

These indicators were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation in the operating budget are approximately \$13.4 million, which is a decrease over the fiscal year 2020 budget. Budget disbursements are expected to decrease for fiscal year 2021 by approximately \$185,000 from the fiscal year 2020 budget mainly due to Secondary Road projects and lowering of amount distributed for Mental Health Region. If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2021.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hancock County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hancock County, 855 State Street, Garner, Iowa.

BASIC FINANCIAL STATEMENTS

Hancock County
Garner, Iowa

Exhibit A

Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and pooled investments	\$ 9,940,320
Receivables:	
Property tax:	
Delinquent	59,864
Succeeding year	5,952,936
Interest and penalty on property tax	2,055
Accounts	96,788
Accrued interest	2,431
Drainage assessments	343,460
Due from other governments	550,770
Inventories	218,105
Capital assets (net of accumulated depreciation)	14,718,949
Total assets	31,885,678
Deferred Outflows of Resources	
Pension related deferred outflows	940,429
Liabilities	
Accounts payable	706,028
Salaries and benefits payable	116,839
Long-term liabilities:	
Portion due or payable within one year:	
Drainage district warrants and certificates payable	35,454
Compensated absences	42,826
Portion due or payable after one year:	
Drainage district warrants and certificates payable	953,354
Net pension liability	1,966,036
Net OPEB liability	229,166
Total liabilities	4,049,703
Deferred Inflows of Resources	
Unavailable property tax revenue	5,952,936
Pension related deferred inflows	935,692
Total deferred inflows of resources	6,888,628
Net Position	
Net investment in capital assets	14,718,949
Restricted for:	
Supplemental levy purposes	3,626
Mental health purposes	23,602
Rural services purposes	2,391,982
Secondary roads purposes	3,432,602
Other purposes	1,263,377
Unrestricted	53,638
Total net position	\$ 21,887,776

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit B

Statement of Activities
Year ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
	Expenses				
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,856,008	50,674	231,840		(1,573,494)
Physical health and social services	363,731		56,997	38,153	(268,581)
Mental health	378,924				(378,924)
County environment and education	742,834	115,501	30,104		(597,229)
Roads & transportation	6,917,824	323,306	4,071,840	326,037	(2,196,641)
Governmental services to residents	565,482	227,108	10,000		(328,374)
Administration	1,764,291	4,622	30,653		(1,729,016)
Non-program	3,373,922	261,770			(3,112,152)
Total	\$ 15,963,016	982,981	4,431,434	364,190	(10,184,411)
General Revenues:					
Property and other county tax levied for general purposes					5,747,567
Penalty and interest on property tax					15,181
State tax credits					385,906
Local option sales tax					704,871
Grants and contributions not restricted to specific purpose					23,868
Unrestricted investment earnings					297,599
Miscellaneous					3,436,165
Total general revenues					10,611,157
Change in net position					426,746
Net position beginning of year					21,461,030
Net position end of year					\$ 21,887,776

See notes to financial statements.

Balance Sheet
Governmental Funds

June 30, 2020

	Special Revenue					Total
	General	Rural Services	Secondary Roads	Drainage Districts	Nonmajor	
Assets						
Cash and pooled investments	\$ 2,461,710	2,333,813	3,370,436	645,348	1,096,963	9,908,270
Receivables:						
Property tax:						
Delinquent	39,452	16,798			3,614	59,864
Succeeding year	3,453,910	2,182,697			316,329	5,952,936
Interest and penalty on property tax	2,055					2,055
Accounts	21,491		66,905		8,392	96,788
Accrued interest	2,431					2,431
Drainage assessments				343,460		343,460
Due from other governments	24,353	53,623	472,794			550,770
Inventories			218,105			218,105
Total assets	\$ 6,005,402	4,586,931	4,128,240	988,808	1,425,298	17,134,679
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 66,012	4,250	624,689		11,077	706,028
Salaries and benefits payable	56,784	4,320	48,772		6,963	116,839
Total liabilities	122,796	8,570	673,461		18,040	822,867
Deferred inflows of resources:						
Unavailable resources:						
Succeeding year property tax	3,453,910	2,182,697			316,329	5,952,936
Other	13,597	3,682		162,416	1,247	180,942
Total deferred inflows of resources	3,467,507	2,186,379		162,416	317,576	6,133,878
Fund balances:						
Nonspendable:						
Inventories			218,105			218,105
Restricted for:						
Supplemental levy purposes	3,626					3,626
Mental health purposes					22,355	22,355
Rural service purposes		2,391,982				2,391,982
Secondary roads purposes			3,236,674			3,236,674
Drainage				826,392		826,392
Other purposes					1,067,327	1,067,327
Committed for capital improvements	164,000					164,000
Unassigned	2,247,473					2,247,473
Total fund balances	2,415,099	2,391,982	3,454,779	826,392	1,089,682	10,177,934
Total liabilities, deferred inflows of resources and fund balances	\$ 6,005,402	4,586,931	4,128,240	988,808	1,425,298	17,134,679

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit D

Reconciliation of the Balance Sheet-
Governmental Funds to the Statement of Net Position

June 30, 2020

Total governmental fund balances (page 15) **\$ 10,177,934**

***Amounts reported for governmental activities in the Statement of Net
Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$43,870,942 and the accumulated depreciation is \$29,151,993 14,718,949

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 180,942

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 32,050

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	940,429	
Deferred inflows of resources	<u>(935,692)</u>	4,737

Long-term liabilities, drainage warrants and certificates, OPEB liability, net pension liability and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (3,226,836)

Net position of governmental activities (page 13) **\$ 21,887,776**

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit E

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2020

	Special Revenue					Total
	General	Rural Services	Secondary Roads	Drainage Districts	Nonmajor	
Revenues:						
Property and other county tax	\$ 3,194,295	2,884,285			359,984	6,438,564
Interest and penalty on property tax	15,181					15,181
Intergovernmental	607,074	119,520	4,421,745		57,059	5,205,398
Licenses and permits	7,424		14,275			21,699
Charges for services	320,004				77,900	397,904
Use of money and property	286,503		32,853		15,634	334,990
Miscellaneous	17,046		290,453	1,731,553	22,927	2,061,979
Total revenues	4,447,527	3,003,805	4,759,326	1,731,553	533,504	14,475,715
Expenditures:						
Operating:						
Public safety and legal services	1,736,206	219,199				1,955,405
Physical health and social services	355,228					355,228
Mental health					378,924	378,924
County environment and education	18,113	276,890			387,458	682,461
Roads and transportation			6,535,386			6,535,386
Governmental services to residents	516,814	7,847			10,717	535,378
Administration	1,353,503	2,900				1,356,403
Non-program	5,093			3,368,829		3,373,922
Capital projects			4,573		29,564	34,137
Total expenditures	3,984,957	506,836	6,539,959	3,368,829	806,663	15,207,244
Excess(deficiency) of revenues over (under) expenditures	462,570	2,496,969	(1,780,633)	(1,637,276)	(273,159)	(731,529)
Other financing sources (uses):						
Operating transfers in			2,125,519		350,000	2,475,519
Operating transfers out	(350,000)	(2,125,519)				(2,475,519)
Drainage warrants issued				1,780,380		1,780,380
Total other financing sources (uses)	(350,000)	(2,125,519)	2,125,519	1,780,380	350,000	1,780,380
Change in fund balances	112,570	371,450	344,886	143,104	76,841	1,048,851
Fund balances beginning of year	2,302,529	2,020,532	3,109,893	683,288	1,012,841	9,129,083
Fund balances end of year	\$ 2,415,099	2,391,982	3,454,779	826,392	1,089,682	10,177,934

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds to the Statement
of Activities

Year Ended June 30, 2020

Change in fund balances - Total governmental fund (page 17) **\$ 1,048,851**

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	587,243	
Depreciation expense	<u>(897,061)</u>	(309,818)

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

358,190

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	14,795	
Other	<u>(13,144)</u>	1,651

Repayment of drainage warrants more than current year issues. (129,960)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	6,040	
Other postemployment benefits	(76,520)	
Pension expense	<u>(485,398)</u>	(555,878)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue (loss) of the Internal Service Fund is reported with governmental activities.

13,710

Change in net position of governmental activities (page 14) **\$ 426,746**

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit G

Statement of Net Position

Proprietary Fund

June 30, 2020

	<u>Medical Benefits</u>
Assets	
Cash and cash equivalents	<u>\$ 32,050</u>
Total assets	<u>32,050</u>
Net Position	
Unrestricted	<u><u>\$ 32,050</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit H

Statement of Revenues, Expenses, and Changes
in Fund Net Position

Proprietary Fund

Year ended June 30, 2020

	Medical Benefits
Operating revenues:	
Reimbursements	\$ 1,397,124
Operating expenses:	
Insurance premiums	<u>1,383,620</u>
Operating income	13,504
Non-operating revenues:	
Interest	<u>206</u>
Net income	13,710
Net position beginning of year	<u>18,340</u>
Net position end of year	<u><u>\$ 32,050</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2020

	Medical Benefits
Cash flows from operating activities:	
Cash received from reimbursements	\$ 1,397,124
Cash payments to suppliers for services	<u>1,383,620</u>
Net cash provided by operating activities	13,504
Cash flows from investing activities:	
Interest on investments	<u>206</u>
Net increase in cash and cash equivalents	13,710
Cash and cash equivalents beginning of year	<u>18,340</u>
Cash and cash equivalents end of year	<u><u>\$ 32,050</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 13,504</u>
Net cash provided by operating activities	<u><u>\$ 13,504</u></u>

See notes to financial statements.

Hancock County
Garner, Iowa

Exhibit J

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2020

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,018,732
Other County officials	43,647
Property tax receivable:	
Delinquent	258,478
Succeeding year	19,791,548
Accounts receivable	9,744
Total assets	<u>\$ 21,122,149</u>

Liabilities

Accounts payable	\$ 7,794
Salaries and benefits payable	8,699
Due to other governments	21,074,267
Trust payable	26,203
Compensated absences	5,186
Total liabilities	<u>21,122,149</u>

Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Hancock County
Garner, Iowa

Notes to Financial Statements

June 30, 2020

1. Summary of Significant Accounting Policies

Hancock County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hancock County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Hancock County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hancock County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hancock County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hancock County Assessor's Conference Board, Hancock County Emergency Management Commission, Hancock County Board of Health, Hancock County Conservation Board and Hancock County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in a restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from General and Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Drainage District Fund is used to account for maintenance of the County's Drainage Districts.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/ or other funds.

C. **Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget

certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represents amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital Assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	2 – 20
Intangibles	5 – 20
Vehicles	3 – 10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and OPEB expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Hancock County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after

year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable and tax increment financing receivable that will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 2,125,519
Conservation	General	<u>350,000</u>
		\$ <u>2,475,519</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 356,891			356,891
Total capital assets not being depreciated	356,891			356,891
Capital assets being depreciated:				
Buildings	6,644,687	50,121		6,694,808
Machinery and equipment	10,226,224	458,332	127,072	10,557,484
Infrastructure	26,182,969	78,790		26,261,759
Total capital assets being depreciated	43,053,880	587,243	127,072	43,514,051
Less accumulated depreciation for:				
Buildings	3,075,535	134,362		3,209,897
Machinery and equipment	7,483,271	518,833	127,072	7,875,032
Infrastructure, road network	17,823,198	243,866		18,067,064
Total accumulated depreciation	28,382,004	897,061	127,072	29,151,993
Total capital assets being depreciated, net	14,671,876	(309,818)		14,362,058
Governmental activities capital assets, net	<u>\$ 15,028,767</u>	<u>(309,818)</u>		<u>14,718,949</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 50,541
Physical health and social services	4,382
County environment and education	32,021
Roads and transportation	665,873
Administrative services	144,244
Total depreciation expense - Governmental activities	<u>\$ 897,061</u>

5. **Due to Other Governments**

The County acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2020 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Schools	Collections	\$ 11,856,950
Community Colleges		1,003,255
Corporations		4,654,040
Auto License & Use Tax		362,103
Townships		358,503
County Hospital		1,588,591
All other		<u>1,250,825</u>
Total for agency funds		\$ <u>21,074,267</u>

6. **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	<u>Drainage Improvement Certificates</u>	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 181,180	677,668	48,866	2,113,625	152,646	3,173,985
Increases	30,228	1,780,380			76,520	1,887,128
Decreases	<u>30,364</u>	<u>1,650,284</u>	<u>6,040</u>	<u>147,589</u>		<u>1,834,277</u>
Balance end of year	<u>\$ 181,044</u>	<u>807,764</u>	<u>42,826</u>	<u>1,966,036</u>	<u>229,166</u>	<u>3,226,836</u>
Due within one year	<u>\$ 35,454</u>		<u>42,826</u>			<u>78,280</u>

Drainage Warrants – Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue, Drainage Districts Funds solely from drainage assessments against benefited properties.

7. **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Sheriff, deputies and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriffs, deputies and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's and deputy's and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of pay and the County contributed 9.44% for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.51% of covered payroll for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 were \$358,190.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the County reported a liability of \$1,966,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the County's collective proportion was 0.0339519%, which was an increase of 0.000552% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$485,398. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (94,362)	\$ 89,040
Changes of assumptions	303,561	84,550
Net difference between projected and actual earnings on pension plan investments	251,747	485,419
Changes in proportion and differences between County contributions and proportionate share of contributions	121,293	276,683
County contributions subsequent to the measurement date	358,190	
Total	\$ 940,429	\$ 935,692

\$358,190 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2021	\$ 37,268
2022	(99,453)
2023	(74,495)
2024	(57,357)
2025	(4,027)
	<u>\$ (198,064)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increases (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% per annum, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60 % inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	\$ 4,240,244	1,966,036	59,084

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2020.

8. Other Postemployment Benefits (OPEB)

Plan Description. The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by Hancock County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>63</u>
Total	<u>63</u>

Total OPEB Liability – The County’s total OPEB liability of \$229,166 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increases (effective June 30, 2020)	3.00% per average, including inflation.
Discount rate (effective June 30, 2020)	3.15% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	8.5% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	\$152,646
Changes for the year:	
Service cost	22,640
Interest	7,640
Differences between expected and actual experiences	(13,214)
Changes in assumptions	59,454
Benefit payments	
Net changes	76,520
Total OPEB liability end of year	\$229,166

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	\$254,196	229,166	206,777

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$197,524	229,166	267,119

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2020, the County recognized OPEB expense of \$31,701. At June 30, 2020, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 28,262
Changes in assumptions	11,842
Total	\$ 40,104

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2021	\$ 3,584
2022	3,584
2023	3,584
2024	3,584
2025	3,584
Thereafter	22,184
	<u>\$ 40,104</u>

9. **Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2020 were \$84,526.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$220,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. **Employee Health Insurance Plan**

The Hancock County Employee Medical Benefits Fund was established to account for the partial self funding of the County's health insurance benefit plan. Hancock County has entered into an administrative services agreement with Wellmark Blue Cross and Blue Shield to administer the plan. The agreement is subject to automatic renewal provisions.

Monthly payments of services fees and plan contributions to the Hancock County Medical Benefits Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Benefit Systems who in turn submit the premium payments to Wellmark Blue Cross and Blue Shield from the County Medical Benefits Fund. The County records the plan assets and related liabilities of the Hancock County Medical Benefits Fund as an Internal Service Fund.

11. **Hancock County Financial Information Included in the Mental Health Region**

County Social Services (CSS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee County, Black Hawk County, Butler County, Cerro Gordo County, Chickasaw County, Clayton County, Emmet County, Fayette County, Floyd County, Grundy County, Howard County, Humboldt County, Kossuth County, Mitchell County, Pocahontas County, Tama County, Webster County, Winnebago County, Winneshiek County, Worth County, Wright County and Hancock County. The financial activity of Hancock County's Special Revenue, Mental Health Fund is included in the County Social Services (CSS) Mental Health Region for the year ended June 30, 2020 as follows:

Revenues:	
Property and other county tax	\$ 359,063
Intergovernmental revenues:	
State tax credits	26,955
Total revenues	<u>386,018</u>
Expenditures:	
General administration:	
Distribution to regional fiscal agent	378,924
Total expenditures	<u>378,924</u>
Excess of revenues over expenditures	7,094
Fund balance beginning of year	15,261
Fund balance end of year	<u>\$ 22,355</u>

Assets	
Cash and pooled investments	\$ 19,988
Receivables:	
Property tax:	
Delinquent	3,614
Succeeding year	316,329
Total assets	<u>\$ 339,931</u>

Liabilities, Deferred Inflows of Resources and Fund Equity

Deferred Inflows of Resources

Unavailable revenues:	
Succeeding years property tax	\$ 316,329
Other	1,247
Total deferred inflows of resources	<u>317,576</u>

Fund Balances:

Restricted for:	
Mental health purposes	22,355
Total Fund Equity	<u>22,355</u>

Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 339,931</u>
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12. **Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2020, the County abated \$0 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Garner	Urban renewal and economic development projects	\$ 15,881
City of Forest City	Urban renewal and economic development projects	20,943

13. **Construction Commitments**

The County has entered into contracts totaling \$2,200,705 for bridge and road improvement projects at June 30, 2020. As of June 30, 2020, no costs have been incurred.

REQUIRED SUPPLEMENTARY INFORMATION

Hancock County
Garner, Iowa

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2020

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other county tax	\$ 6,397,438		6,397,438	6,207,358	6,207,358	190,080
Interest and penalty on property tax	13,193		13,193	24,000	24,000	(10,807)
Intergovernmental	5,047,472		5,047,472	4,328,970	4,533,121	514,351
Licenses and permits	22,519		22,519	21,400	27,400	(4,881)
Charges for services	409,695		409,695	366,115	366,115	43,580
Use of money and property	342,502		342,502	205,657	211,018	131,484
Miscellaneous	2,037,658	1,731,553	306,105	111,140	237,931	68,174
Total receipts	14,270,477	1,731,553	12,538,924	11,264,640	11,606,943	931,981
Disbursements:						
Public safety and legal services	1,958,754		1,958,754	2,086,928	2,086,928	128,174
Physical health and social services	365,421		365,421	449,902	433,402	67,981
Mental health	378,924		378,924	399,124	399,124	20,200
County environment and education services	685,303		685,303	726,793	748,593	63,290
Roads and transportation	6,302,688		6,302,688	6,923,429	7,163,429	860,741
Governmental services to residents	531,338		531,338	598,145	601,645	70,307
Administration	1,338,558		1,338,558	1,551,695	1,556,695	218,137
Non-program	3,373,921	3,368,829	5,092	7,500	7,500	2,408
Capital projects	109,873		109,873	930,000	690,000	580,127
Total disbursements	15,044,780	3,368,829	11,675,951	13,673,516	13,687,316	2,011,365
Excess (deficiency) of receipts over (under) disbursements	(774,303)	(1,637,276)	862,973	(2,408,876)	(2,080,373)	2,943,346
Other financing sources, net	1,780,380	1,780,380				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,006,077	143,104	862,973	(2,408,876)	(2,080,373)	2,943,346
Balance beginning of year	9,083,236	683,288	8,399,948	6,822,678	6,822,678	1,577,270
Balance end of year	\$10,089,313	826,392	9,262,921	4,413,802	4,742,305	4,520,616

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,275,433	205,238	14,480,671
Expenditures	15,044,780	162,464	15,207,244
Net	(769,347)	42,774	(726,573)
Other financing sources, net	1,780,380		1,780,380
Beginning fund balances	9,083,236	45,847	9,129,083
Ending fund balances	\$ 10,094,269	88,621	10,182,890

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$13,800. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Hancock County
Garner, Iowa

Schedule of County Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*

Required Supplementary Information

	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.0339519%	0.0333999%	0.0359917%	0.0381629%	0.0349119%	0.0327684%
County's proportionate share of the net pension liability	\$ 1,966,036	2,113,625	2,397,501	2,401,709	1,724,816	1,299,563
County's covered payroll	\$ 3,646,925	3,413,340	3,393,541	3,448,756	3,245,182	3,137,899
County's proportionate share of the net pension liability as a percentage of its covered payroll	53.91%	61.92%	70.65%	69.64%	53.15%	41.42%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 358,189	350,743	310,670	310,661	316,833	299,015	289,414	296,891	291,580	279,656
Contributions in relation to the statutorily required contribution	(358,189)	(350,743)	(310,670)	(310,661)	(316,833)	(299,015)	(289,414)	(296,891)	(291,580)	(279,656)
Contribution deficiency (excess)	\$									
County's covered payroll	\$ 3,769,513	3,646,925	3,413,340	3,393,541	3,448,756	3,245,182	3,137,899	3,292,650	3,430,752	3,731,391
Contributions as a percentage of covered payroll	9.50%	9.62%	9.10%	9.15%	9.19%	9.21%	9.22%	9.02%	8.50%	7.49%

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Hancock County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service Cost	\$ 22,640	9,868	9,859
Interest cost	7,402	5,878	5,734
Difference between expected and actual experiences	(13,214)	(9,025)	(8,149)
Changes in assumptions	59,454		
Benefit payments		(3,706)	(4,027)
Net change in total OPEB liability	76,520	3,015	3,417
Total OPEB liability beginning of year	152,646	149,631	146,214
Total OPEB liability end of year	\$ 229,166	152,646	149,631
Covered-employee payroll	\$ 3,535,849	3,540,337	3,128,184
Total OPEB liability as a percentage of covered-employee payroll	6.5%	4.3%	4.8%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	2.50%

SUPPLEMENTARY INFORMATION

Hancock County
Garner, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Mental Health	Communi- cations Revolving	Conservation Reserve	Conservation	Mokry Poor Trust	Resource Enhancement & Protection	County Recorders Records Management	Total
Assets								
Cash and pooled investments	\$ 19,988	5,976	34,451	282,219	671,967	73,982	8,380	1,096,963
Receivables:								
Property tax:								
Delinquent	3,614							3,614
Succeeding year	316,329							316,329
Accounts				8,169			223	8,392
Total Assets	\$ 339,931	5,976	34,451	290,388	671,967	73,982	8,603	1,425,298
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable				\$ 11,077				11,077
Salaries and benefits payable				6,963				6,963
Total liabilities				18,040				18,040
Deferred inflows of resources:								
Unavailable revenues:								
Succeeding years property tax	316,329							316,329
Other	1,247							1,247
Total deferred inflows of resources	317,576							317,576
Fund balances:								
Restricted for:								
Mental health purposes	22,355							22,355
Other purposes		5,976	34,451	272,348	671,967	73,982	8,603	1,067,327
Total fund balances	22,355	5,976	34,451	272,348	671,967	73,982	8,603	1,089,682
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 339,931	5,976	34,451	290,388	671,967	73,982	8,603	1,425,298

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2020

	Mental Health	Communi- cations Revolving	Conservation Reserve	Conservation	Mokry Poor Trust	Resource Enhancement & Protection	County Recorder's Records Management	Total
Revenues:								
Property and other county tax	\$ 359,063			921				359,984
Intergovernmental	26,955		20,000			10,104		57,059
Charges for services				75,167			2,733	77,900
Uses of money and property				4,743	9,635	1,056	200	15,634
Miscellaneous			7,500	15,427				22,927
Total revenues	386,018		27,500	96,258	9,635	11,160	2,933	533,504
Expenditures:								
Operating:								
Mental health	378,924			387,458				378,924
County environment and education								387,458
Governmental Services to Residents							10,717	10,717
Capital projects			20,000			9,564		29,564
Total expenditures	378,924		20,000	387,458		9,564	10,717	806,663
Excess (deficiency) of revenues over (under) expenditures	7,094		7,500	(291,200)	9,635	1,596	(7,784)	(273,159)
Other financing sources:								
Transfers in				350,000				350,000
Total other financing sources				350,000				350,000
Change in fund balances	7,094		7,500	58,800	9,635	1,596	(7,784)	76,841
Fund balances beginning of year	15,261	5,976	26,951	213,548	662,332	72,386	16,387	1,012,841
Fund balances end of year	\$ 22,355	5,976	34,451	272,348	671,967	73,982	8,603	1,089,682

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule 3

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2020

	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices		Emergency Management Services	EMA Storm Safe	County Assessor
					Recorder	Sheriff			
Assets									
Cash and pooled investments:									
County treasurer	\$ 10,390	362,103	2,092	271,452			56,133	2,816	175,573
Other County officials					27,033	16,614			
Receivables:									
Property tax:									
Delinquent	17,823		30						5,341
Succeeding year	1,560,378		2,664						467,571
Accounts				9,521					
Total Assets	\$1,588,591	362,103	4,786	280,973	27,033	16,614	56,133	2,816	648,485
Liabilities									
Salaries payable							\$ 1,848		6,851
Accounts payable				6,565			926		303
Due to other governments	1,588,591	362,103	4,786	274,408	17,444		51,898	2,816	637,606
Trusts payable					9,589	16,614			
Compensated absences							1,461		3,725
Total Liabilities	\$1,588,591	362,103	4,786	280,973	27,033	16,614	56,133	2,816	648,485

Hancock County
Garner, Iowa

Schedule 3
(continued)

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2020

	Schools	Community Colleges	Corporations	Townships	City Special Assessments	Advance Tax	Ag Extension Education	Parital Tax Payment	Recorder Electronic Transaction Fee	Total
Assets										
Cash and pooled investments:										
County treasurer	78,541	5,015	28,641	2,679	298	21,299	1,555	115	30	1,018,732
Other County officials										43,647
Receivables:										
Property tax:										
Delinquent	133,390	11,220	84,977	3,005			2,692			258,478
Succeeding year	11,645,019	987,020	4,540,422	352,819			235,655			19,791,548
Accounts									223	9,744
Total Assets	11,856,950	1,003,255	4,654,040	358,503	298	21,299	239,902	115	253	21,122,149
Liabilities										
Salaries payable										8,699
Accounts payable										7,794
Due to other governments	11,856,950	1,003,255	4,654,040	358,503	298	21,299	239,902	115	253	21,074,267
Trusts payable										26,203
Compensated absences										5,186
Total Liabilities	11,856,950	1,003,255	4,654,040	358,503	298	21,299	239,902	115	253	21,122,149

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule 4

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2020

Assets and Liabilities	County Hospital	Auto License & Use Tax	Brucellosis & Tuberculosis Eradication	E-911	County Offices			Emergency Management Services	EMA Storm Safe	County Assessor
					Auditor	Recorder	Sheriff			
Balance beginning of year	\$ 1,539,445	272,982	4,481	331,180		10,787	44,557	42,540	2,816	644,745
Additions:										
Property and other county tax	1,479,179		2,569							469,461
E-911 surcharge				178,279						
State tax credits	110,895		193							35,211
Office fees and collections					64,060	258,887	144,683			
Auto licenses, use tax and postage		4,170,781								
Assessments								94,095		
Trusts							98,784			
Miscellaneous								18,000		808
Total additions	1,590,074	4,170,781	2,762	178,279	64,060	258,887	243,467	112,095		505,480
Deductions:										
Agency remittances:										
To other funds		0			64,060	242,641	154,590			
To other governments	1,540,928	4,081,660	2,457	228,486				98,502		501,740
Trusts paid out							116,820			
Total deductions	1,540,928	4,081,660	2,457	228,486	64,060	242,641	271,410	98,502		501,740
Balance end of year	\$ 1,588,591	362,103	4,786	280,973		27,033	16,614	56,133	2,816	648,485

Hancock County
Garner, Iowa

Schedule 4
(continued)

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2020

Assets and Liabilities	Schools	Community Colleges	Corporation	Townships	City Special Assessments	Advance Tax	Agricultural Extension Education	Partial Tax Payments	Recorder Electronic Transaction Fee	Total
Balance beginning of year	11,276,938	742,919	4,501,631	331,171	455	15,767	230,414	115	367	19,993,310
Additions:										
Property and other county tax	10,819,592	715,540	4,101,726	324,582		22,067	221,452			18,156,168
E-911 surcharge										178,279
State tax credits	816,122	53,499	571,549	17,688			16,601			1,621,758
Office fees and collections									2,733	470,363
Auto licenses, use tax and postage										4,170,781
Assessments					46,188					140,283
Trusts										98,784
Miscellaneous										18,808
Total additions	11,635,714	769,039	4,673,275	342,270	46,188	22,067	238,053		2,733	24,855,224
Deductions:										
Agency remittances:										
To other funds										461,291
To other governments	11,055,702	508,703	4,520,866	314,938	46,345	16,535	228,565			23,145,427
Trusts paid out									2,847	119,667
Total deductions	11,055,702	508,703	4,520,866	314,938	46,345	16,535	228,565		2,847	23,726,385
Balance end of year	11,856,950	1,003,255	4,654,040	358,503	298	21,299	239,902	115	253	21,122,149

See accompanying independent auditor's report.

Hancock County
Garner, Iowa

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types
For the Last Ten Years

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2,012	2011
Revenues:										
Property and other county tax	\$ 6,438,564	6,216,745	6,014,637	5,683,176	5,484,864	5,567,590	5,356,954	4,903,734	4,439,081	4,195,541
Interest and penalty on property tax	15,181	32,663	32,819	28,566	27,757	40,283	36,820	41,397	33,827	38,081
Intergovernmental	5,205,398	4,751,363	4,602,227	5,047,280	4,687,153	4,345,124	4,006,232	4,012,171	4,769,112	5,329,531
Licenses and permits	21,699	35,569	28,332	24,456	22,382	19,658	21,146	18,543	21,084	16,374
Charges for service	397,904	390,241	384,283	358,136	368,265	364,662	350,190	449,516	431,525	462,115
Use of money and property	334,990	396,812	282,011	192,923	215,465	229,362	236,592	242,061	195,651	189,631
Miscellaneous	2,061,979	2,000,275	1,604,056	591,167	284,384	334,946	338,648	291,419	365,249	268,081
Total	<u>\$14,475,715</u>	<u>13,823,668</u>	<u>12,948,365</u>	<u>11,925,704</u>	<u>11,090,270</u>	<u>10,901,625</u>	<u>10,346,582</u>	<u>9,958,841</u>	<u>10,255,529</u>	<u>10,499,354</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 1,955,405	1,943,178	1,921,470	1,856,530	1,800,213	1,662,257	1,592,134	1,453,483	1,448,307	1,373,179
Physical health and social services	355,228	359,611	308,600	278,935	303,166	298,114	389,361	785,469	951,061	1,366,563
Mental health	378,924	474,800	447,041	387,426	413,738	538,878	504,389	599,196	1,379,581	1,514,115
County environment and education	682,461	673,928	596,395	557,736	586,847	519,395	516,826	494,786	466,185	574,489
Roads and transportation	6,535,386	6,371,263	6,378,397	5,334,514	4,945,274	4,936,102	4,980,331	4,625,394	5,247,207	4,456,997
Governmental services to residents	535,378	493,741	490,069	485,193	431,872	401,555	391,576	339,728	320,701	313,345
Administrative services	1,356,403	1,259,361	1,198,172	1,102,786	999,932	1,026,536	891,806	866,368	903,791	885,226
Non-program	3,373,922	3,019,008	2,791,039	895,725	944,258	447,854	398,229	379,014	565,434	630,786
Capital projects	34,137	311,177	635,008	570,971	497,611	363,540	589,772	430,792	636,718	768,016
Total	<u>\$15,207,244</u>	<u>14,906,067</u>	<u>14,766,191</u>	<u>11,469,816</u>	<u>10,922,911</u>	<u>10,194,231</u>	<u>10,254,424</u>	<u>9,974,230</u>	<u>11,918,985</u>	<u>11,882,716</u>

See accompanying independent auditor's report.



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Officials of Hancock County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hancock County, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hancock County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Hancock County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hancock County's Responses to Findings

Hancock County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hancock County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Hancock County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 12, 2021



Renner & Birchem, P.C.
Britt, Iowa

Hancock County
Garner, Iowa

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of - prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

Cause – Limited staff available to segregate duties.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and will look at improvements.

Conclusion - Response accepted.

Instances of Non-Compliance

No matters were noted.

Hancock County
Garner, Iowa

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget** - Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted which is in compliance with chapter 384.20 of the Code of Iowa
- II-A-20 Questionable Expenditures** - We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-20 Travel Expense** - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-20 Business Transactions** - No business transactions between the County and County officials or employees were noted.
- II-E-20 Restricted Donor Activity** - No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage** - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- II-G-20 Board Minutes** - No transactions were found that we believe should have been approved in the board minutes but were not.
- II-H-20 Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-I-20 Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).